

Message Text

CONFIDENTIAL

PAGE 01 ABU DH 00288 021141Z
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 AGRE-00 L-03 ABF-01 FS-01 IGA-02
PRS-01 /101 W

-----003716 021159Z /14/75

R 011231Z FEB 78
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 7285
INFO AMEMBASSY ATHENS
AMEMBASSY CAIRO
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY PARIS
AMEMBASSY TEHRAN
USINT BAGHDAD
USOFFICE RFC PARIS
AMCONSUL DHAHRAN

C O N F I D E N T I A L ABU DHABI 288

C O R R E C T E D C O P Y (ADDING EO, TAGS, SUBJECT)

EO 11652: GDS
TAGS: EFIN, TC, BA, QA
SUBJECT: REALIGNMENT AND REVALUATION OF GULF CURRENCIES

REF: (A) ABU DHABI 215, (B) ABU DHABI 225, (C) MANAMA 225

1. ON FEB 1, I HAD OPPORTUNITY MEET WITH
UAE CURRENCY BOARD DIRECTOR, ABD AL MALIK AL HAMAR,
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ABU DH 00288 021141Z

WHO GAVE ME SOME ADDITIONAL INFORMATION ON REASONS
FOR REALIGNMENT OF UAE DIRHAM WITH BAHRAINI DINAR
AND QATARI RIYAL AND ITS MINOR REVALUATION WITH WITH
DOLLAR.

2. AL HAMAR STATED THAT SMALL REVALUATION HAD
NOT BEEN TAKEN BECAUSE OF DOLLAR'S WEAKNESS VIS

A VIS CERTAIN OTHER CURRENCIES BUT FOR PARITY REASONS, TO BRING GULF CURRENCIES INTO LINE AND TO STOP ABUSES BY MONEY EXCHANGERS. HE CONFIRMED THAT ACTION HAD BEEN TAKEN AT UAE BEHEST, WITH COOPERATION OF BAHRAIN AND QATARI CURRENCY BOARDS, TO STOP ARBITRAGE BY GULF MONEY EXCHANGERS, "PARTICULARLY THOSE IN DUBAI", WHO HAD TAKEN ADVANTAGE OF DIFFERENCE IN DOLLAR RATES OF THREE GULF CURRENCIES EVEN THOUGH THEY TRADED AMONG THEMSELVES AT PARITY OF ONE DIRHAM EQUAL ONE QATARI RIYAL OR ONE TENTH BAHRAIN DINAR. MONEY CHANGERS WOULD FOR EXAMPLE BUY BAHRAIN DINARS FOR DOLLARS, THEN SELL THE DINARS TO UAE BANKS AND RECEIVE DIRHAMS, THEN EXCHANGE THE DIRHAMS BACK INTO DOLLARS BUT AT A PROFIT. (BANK SOURCE HAS TOLD US THAT ON EACH \$100,000 TURN-OVER, PROFIT ON EXCHANGE RATE DIFFERENCE WAS ABOUT \$500.)

3. ACCORDING TO AL HAMAR, TIDY PROFIT GAINED BY MONEY EXCHANGERS HAD COST UAE CURRENCY BOARD AT LEAST 50 MILLION DIRHAMS (\$12.5MILLION) A MONTH IN FOREIGN EXCHANGE OVER PAST SIX MONTHS. REVALUING THREE GULF CURRENCIES DIFFERENTLY IN TERMS OF DOLLAR, HAD ELIMINATED MARGINS WHICH MONEY CHANGERS COULD TAKE ADVANTAGE OF.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ABU DH 00288 021141Z

4. ASKED IF THIS REALIGNMENT WOULD NOW PERMIT GULF STATES TO MOVE AGAIN ON GULF DINAR AND WHETHER THIS WOULD BE SUBJECT DISCUSSION FEB 15 MEETING OF GULF CURRENCY BOARD DIRECTORS IN ABU DHABI, AL HAMAR SAID THAT ISSUE OF GULF DINAR WAS STILL PENDING. WHILE IT MIGHT BE DISCUSSED AT ABU DHABI, HE DID NOT SEE ANY ACTION SOON IN CREATING GULF DINAR. ABU DHABI MEETING WAS PERIODIC ONE AMONG HEADS OF ARAB GULF CENTRAL BANKS. SAUDIS HAD BEEN INVITED SEND AN OBSERVER BUT HAD NOT YET RESPONDED.

5. AL HAMAR ALSO SAID THAT UAE CURRENCY BOARD HAD NOT YET DECIDED WHETHER TO FOLLOW QATAR AND BAHRAIN'S EXAMPLE OF TYING THEIR CURRENCIES TO THE SDR. HE SAID MATTER WAS BEING STUDIED BUT DID NOT INDICATE THAT UAE WOULD ACT ON THIS SOON.
DICKMAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REVALUATIONS, CURRENCIES
Control Number: n/a
Copy: SINGLE
Draft Date: 01 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ABUDH00288
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780061-0420
Format: TEL
From: ABU DHABI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197802109/aaaadnsz.tel
Line Count: 111
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9a7f08ce-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 ABU DHABI 215, 78 ABU DHABI 225, 78 MANAMA 225
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3448843
Secure: OPEN
Status: NATIVE
Subject: REALIGNMENT AND REVALUATION OF GULF CURRENCIES
TAGS: EFIN, TC, BA, QA
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/9a7f08ce-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014